



Spanish Business Climate Barometer **survey of Foreign Investors**

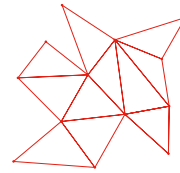
2024 Results

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1 Presentation





This is the 17th edition of the “Spanish Business Climate Barometer Survey of foreign investors”, which has now become a flagship publication in Spain.

The 2024 edition contains an assessment of the importance given to the business climate in Spain during the 2024 financial year by over 700 foreign-owned companies. Following generally established criteria, a business is considered to be foreign-owned when its foreign capital accounts for more than 10% of its total capital.

Forecasts for 2025 are also included. This provides an overview in the medium term of the strengths that need to be maintained and the main areas of action where further efforts must be focused.

Previous editions have included a specific chapter on the economic situation, analysing the impact of armed conflicts on different aspects of business. This edition maintains this chapter, as well as a section on sustainability that analyses the sustainability strategies of foreign-owned companies in Spain, the main sustainability objectives and the degree to which conditions in Spain do or do not favour the achievement of these objectives.

Investing companies reconfirmed a favourable performance in 2023, and maintain positive closing figures for 2024, although, as in the previous edition, they are affected by the uncertainty of the international economic and political situation.

Estimates for investment, turnover, employment and exports of these companies for 2025 are more positive.

The Barometer has been jointly compiled by ICEX-Invest in Spain, Multinacionales con España and the International Center for Competitiveness (ICC) at the IESE Business School.

La Dirección Ejecutiva de Invest in Spain de ICEX tiene como función la promoción y atracción de las inversiones exteriores. The role of the Executive Management at Invest in Spain ICEX is to promote and attract foreign investment. Its mission is to promote, attract and maintain foreign investment in Spain, as well as reinvestment from established foreign companies, serving as a reference point for foreign companies and as a point of contact for state, regional and local institutions engaged in promoting and attracting investment.

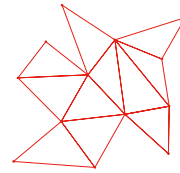
ICEX also performs activities to position Spain as a global platform for international investment and business. Another area of action for ICEX is the improvement of the business climate in Spain through ongoing talks with other ministerial departments and business associations, as well as Spanish and foreign owned companies located in Spain.

Multinacionales con España is a business association that promotes awareness of the social, economic and environmental contributions made by foreign multinationals in Spain. Furthermore, it promotes Spain as a benchmark investment destination, thanks to its stable, favourable and competitive framework, and through positive, purposeful and proactive participation in the Spanish public agenda.

The IESE (Institute of Advanced Business Studies) is an institution dedicated to teaching advanced business studies. The ICC is one of its research centres, its mission being to promote strict learning and research in the field of competitiveness and its implications in different areas. Headed by Professor Pascual Berrone and established in collaboration with the Institute for Strategy and Competitiveness under Professor Michael Porter at Harvard University, the ICC places a particular emphasis on the European Union and its role in creating a favourable business climate.

2 Executive summary





Spain is rated highly by managers of foreign-owned companies, with infrastructure, market size and human capital being the most highly valued aspects.

The results of this edition of the Spanish Business Climate Barometer show an average score of 2.85 out of 5, which means that Spain remains in favour among managers of foreign-owned companies, despite a slight drop in its score from the 2.9 it obtained in 2023.

The areas most highly rated by the managers surveyed were those relating to Infrastructure, followed by Market Size and Human Capital, as in the 2022 and 2023 editions. Meanwhile, the most important area for managers in this year's edition, as in previous years, was Human Capital, followed by Market Size, the Labour Market and Infrastructure. It is therefore positive that, as usual, the most highly rated areas coincide for the most part with the most important areas for managers.

Human Capital aspects are positively rated as a whole, but foreign companies in Spain believe that attention should continue to be paid to language skills, learning capacity and the acceptance of responsibilities and objectives. There is significant room for improvement in reducing the bureaucratic burden and Employer Social Security contributions. They also believe that action should continue to be taken to adapt labour legislation to the needs of companies. On the other hand, the Infrastructure area as a whole more than meets the expectations of these companies.

Among the worst valued aspects in this edition are the areas of Taxation and Financing, as well as Regulatory Environment and Costs. The areas with the greatest imbalances between the rating they receive and the importance they have for foreign-owned companies are the Labour Market and Taxation, followed by the Regulatory Environment and Costs.

As in previous editions, the main reasons for setting up in Spain, according to most of the managers surveyed, are geographical location, the size of the local market and access to other markets, labour costs and infrastructure. The Spanish language

and cultural proximity are also considered major advantages, as well as the highly qualified workforce, which is key to attracting high value-added projects.

Forecasts for investment, turnover, employment generation and export volume for the years 2024 and 2025 are positive and similar to those for the last edition.

Investment prospects in 2024 for foreign companies in Spain are positive, although they are slightly down on 2023. Thus, 86% of the companies surveyed increased or maintained their investments in 2024, compared to 88% in 2023. For 2025, 89% of companies plan to increase or maintain their investments.

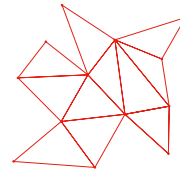
The employment outlook is also positive and unchanged from the previous year. In 2024, 86% of companies increased or maintained their workforces, and only 14% reduced them, as in 2023. For 2025, the outlook is even better, with 92% of participating companies saying they plan to increase or maintain their workforces.

When it comes to turnover, 78% of participating companies maintained or increased this in 2024, which is very similar to the 79% achieved in 2023. The percentage of participating companies expecting to increase or maintain their turnover in 2025 is more positive at 87%.

Finally, with regard to export volume, the high export profile has been maintained, as 74% of the foreign companies surveyed export to third markets from Spain. The outlook is positive, with only 10% of companies expecting their exports to decrease in 2024. The outlook for 2025 is even better, with only 6% of foreign companies planning to reduce their exports.

3 Context





According to the *World Economic Outlook* by the International Monetary Fund (IMF), global growth will have been around 3.2% in 2024, one tenth less than in 2023, which essentially means that it has remained stable over the past twelve months. In a similar vein, developed countries will have grown by around 1.8%, one tenth more than in 2023.

It is true that the major world economies have been able to reduce inflation significantly during 2024 without causing another recession. However, prices have remained too high and growth has been insufficient to create jobs globally or to secure the substantial investments needed to meet the challenges of both the green and digital transitions that the global economy as a whole aspires to. For example, according to UNCTAD, it is estimated that, in order for the world to meet the goal of limiting global warming to 1.5°C above pre-industrial levels, it will be necessary to invest approximately 1.5 times the current global Gross Domestic Product by 2050.

In addition, there are two closely related threats: the rising tide of protectionism and the geopolitical risks that are multiplying in every corner of the globe. There is growing concern about the spread of conflict in the Middle East. Added to this must be added the prolongation, for another year, of Russia's war of aggression against Ukraine in the heart of Europe. This brings the total number of active conflicts in the world to 56, the most since World War II, according to the annual Global Peace Index compiled by the Institute for Economics & Peace. The risks of destabilised regional economies, especially global oil and gas markets, are high.

As a logical consequence, the global environment for international investment has remained difficult in 2024. Multinational companies continue to maintain a cautious approach to overseas expansion. According to the Organisation for Economic Co-operation and Development, in the first half of 2024, Foreign Direct Investment (FDI) inflows to developed countries declined by 14% compared to the same period in 2023. This excludes inflows to the Netherlands and Luxembourg, which are economies whose FDI flows have been subject to extreme volatility in recent years.

However, despite the uncertain international context, to which Spain has undoubtedly been no stranger, the performance of

the Spanish economy in 2024 has been comparatively better than that of other world powers: after having closed 2023 with a growth of 2.7%, the Spanish economy has maintained the growth trend in 2024. Thus, in the first three quarters of 2024, Spain's Gross Domestic Product grew in a balanced manner, with positive contributions from both domestic and external demand.

The main international organisations assume that the Spanish economy will have grown by around 3% in 2024, more than three times the average growth forecast for the euro area and significantly higher than the Gross Domestic Product growth rates forecast by the IMF for the major European economies: Germany (0%), France (1.1%), Italy (0.7%) and the United Kingdom (1.1%). Spain will be the leading economy in the European Union in both 2024 and, according to forecasts, 2025.

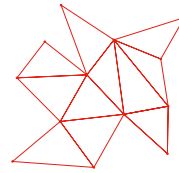
Foreign investment received by Spain has been in line with the Spanish economy's strong performance. According to statistics from the Secretary of State for Trade, Spain has received a volume of FDI in the first three quarters of 2024 that exceeds 23 billion euros, surpassing the record reached in the same period of 2023, which was less than 20 billion euros.

FDI statistics are not only quantitatively strong, they are also qualitatively strong, as confirmed by the figures related to greenfield projects, which are the most interesting type of FDI project from an economic perspective, as they involve the construction of new factories and facilities and recruitment of new employees.

According to fDi Markets, the Financial Times Group's greenfield projects database, in the first ten months of 2024, Spain received 626 greenfield projects from abroad, making it the fifth country in the world to receive the most greenfield projects globally, ahead of powers like Germany, China, France and Japan.

In addition, greenfield project statistics continue to show very positive results for the most transformative, advanced and productive forms of foreign investment. In 2024, Spain was in fact the third largest global recipient of greenfield projects in the renewable energy industry, the fourth largest in terms of the number of projects involving R&D activities, and also the fourth largest recipient of greenfield investment in the Information and

3 Context



Communications Technology and internet infrastructure industry. In addition, Spain is the fifth largest recipient of projects relating to artificial intelligence and the seventh country in the world to receive the most greenfield projects in the business services industry.

In this context, the representatives of foreign companies established in Spain have once again responded to the questionnaire sent to them during the last quarter of 2024 to find out their opinions on the business climate in Spain. Their observations must therefore be interpreted within this general framework of the Spanish economy's evolution and its capacity to attract foreign direct investment.

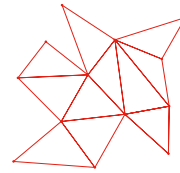
4 General results



Foreign-owned companies continue to assign the greatest importance to the area of Human Capital, followed by Market Size, Labour Market and Infrastructure, as in the previous year.

4 General results

- 4.1** General rating
- 4.2** Main strengths and weaknesses
- 4.3** 2023-2024 Comparison
- 4.4** Main areas for action



4.1 General rating

Figure 1 shows the level of importance and the score given by foreign companies to each of the ten areas covered by the 2024 Business Climate Barometer.

Foreign-owned companies continue to assign the greatest importance to the area of Human Capital, followed by Market Size, Labour Market and Infrastructure, as in the previous year. The least important in the opinion of managers is once again Financing, the only one to which they attach an importance of below 3.

The areas that received the highest ratings from the managers surveyed in this edition were once again those relating to Infrastructure, followed by Market Size and Human Capital.

The lowest rated areas are Taxation and Financing, followed by the Regulatory Environment and Costs.

The areas with the greatest imbalances between the rating they receive and the importance they have for foreign-owned companies are the Labour Market and Taxation. The areas of the Regulatory Environment and Costs also show significant differences between the rating and the importance given. As can be seen in Figure 1, the Infrastructure area obtained a rating equal to its importance, perfectly fulfilling the companies' expectations.

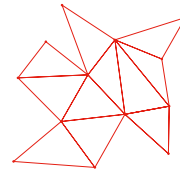
In terms of Innovation, Market Size and Quality of Life, investors' expectations are also being met to a greater extent.

Importance and scores by area in 2024

Figure 1



4 General results



4.2 Main strengths and weaknesses

Spain's main strengths in the opinions of managers heading foreign-owned companies relate to Infrastructure, as shown in Figure 2.

Thus, companies particularly valued the availability of telecommunications infrastructure and services, and the quality of airports, roads and ports, as well as the availability of supplier and distribution networks. Another highly rated aspect is safety.

On the other hand, the weaknesses pointed out by the managers surveyed are shown in Figure 3: the main ones refer

to aspects of the Regulatory Environment, such as bureaucracy or the speed and efficiency of the commercial courts. There are also the issues of costs, both living costs and those for electricity and energy.

As in the previous edition, tax aspects associated with work were mentioned, in this case Employer Social Security contributions. This year, the total volume of public investment in RDI also stands out for being low.

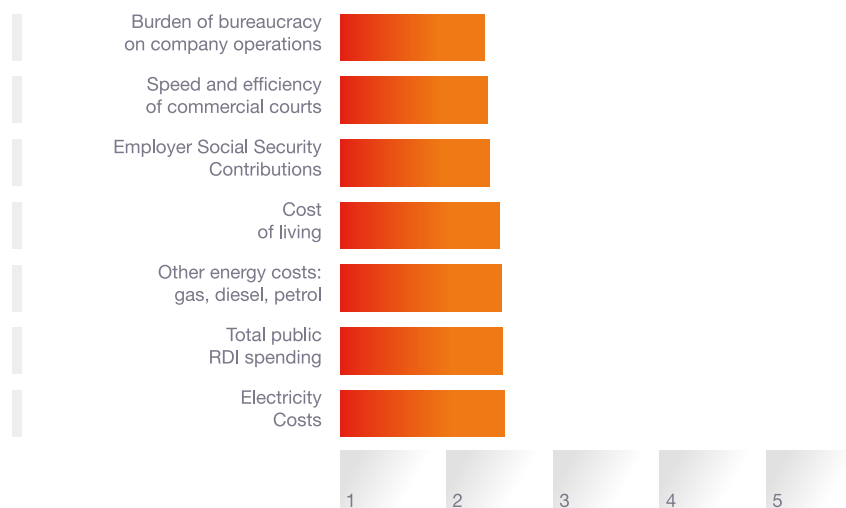
Main strengths

Figure 2

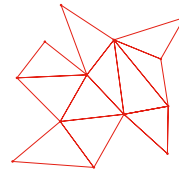


Main weaknesses

Figure 3



4 General results



4.3 2023-2024 Comparison

The overall assessment for 2024 maintains Spain's positive rating despite a slight drop in the score compared to 2023 (2.85 out of 5 in 2024, and 2.9 in 2023).

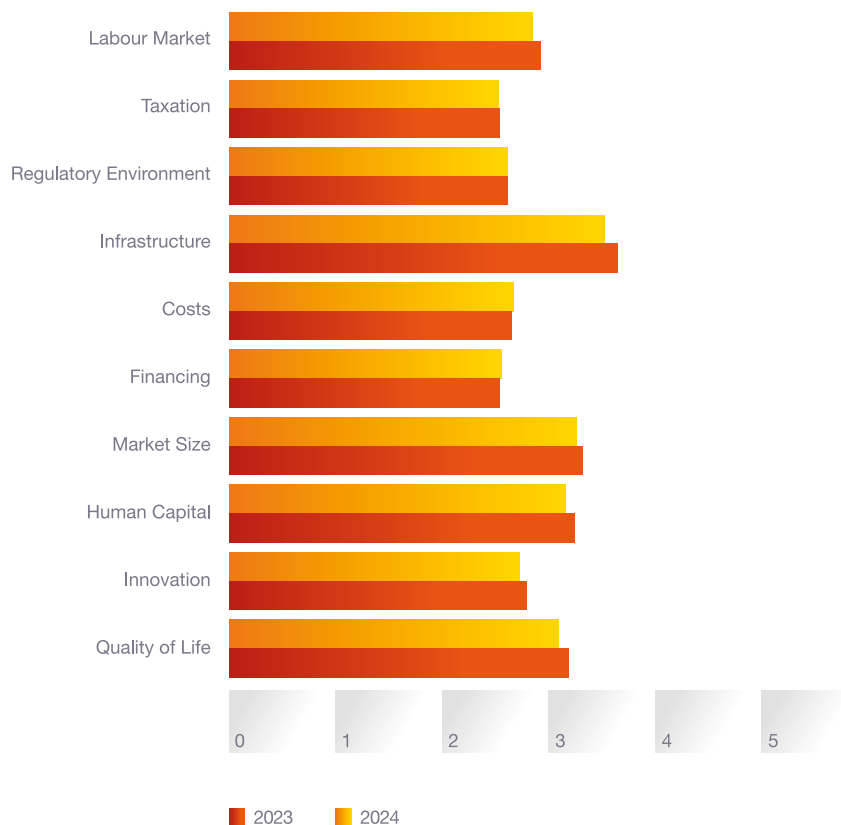
As can be seen in Figure 4, most of the areas have experienced a slight decline, with those relating to Infrastructure and Quality of Life being the most notable. In the area of Infrastructure, there was a general decline in ratings, with the High-Speed Train aspect being the most notable. Also in the area of Quality of Life, most of the aspects considered have also decreased, with the cost of living being the variable seeing the greatest decrease.

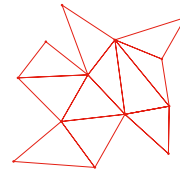
The areas of the Labour Market, Market Size, Human Capital and Innovation also show declines, albeit moderate.

On the other hand, the ratings for Taxation, the Regulatory Environment, Costs and Financing remain virtually unchanged from 2023.

Comparison of scores 2023-2024

Figure 4





4.4 Main areas for action

The priority areas for action have been selected based on the size of the gap between the importance attributed to them by the managers surveyed and their weighted score. In this edition, five of the resulting performance areas are the same as in the last edition (language skills, adaptation of labour legislation to the needs of the company, acceptance of responsibilities and objectives, bureaucratic burden in operating the company and learning capacity). Employer Social Security contributions have been added in this edition.

1. Language skills

Language skills have been one of the main problems for many years in the opinion of the managers surveyed. In this edition, it is the fifth most important aspect of the entire survey, and although its rating is slightly better than in 2023, it is far from reaching the required level according to the importance given to it by investors. It is important to note that Human Capital aspects are the most important for the managers surveyed and fundamental for Spain's medium and long term competitiveness.

2. Employer Social Security contributions

In this edition of the survey, Employer Social Security contributions obtained the second worst rating of all the survey, somewhat lower than last year, and it is also an aspect that is becoming increasingly important for investors, so it should be considered one of the priority areas for action. Tax issues are the aspects rated lowest overall in this edition.

3. Adaptation of labour law to the needs of the company

The adequacy of labour legislation to meet companies' needs is the fourth most important aspect of the whole survey. Its rating is positive, although lower than last year, but its high importance means that it should continue to be considered a priority area for attention.

4. Acceptance of responsibilities and objectives

Acceptance of responsibilities and objectives is the third most important aspect for the managers surveyed. Although the assessment is positive, it is somewhat lower than in 2023, and the gap between the importance and the rating given is significant. As the Human Capital aspects are the most important for investors, continued focus on these is required.

5. Burden of bureaucracy on company operations

The bureaucratic burden in running the business is the worst rated aspect of the whole survey and has already been identified as one of the weaknesses across the board in the study. Although its rating is unchanged from 2023, this is an issue that investors have been highlighting in the various editions, and it often appears among the main areas for action.

6. Learning capacity

As was the case last year, learning capacity is the most important aspect of the entire survey for foreign-owned companies in Spain. This is the third Human Capital aspect included among the priority areas for action. Although it has been rated positively, its rating is lower than in 2023, and there is room for improvement between the importance attributed to it by investors and the rating it received.

5 Prospects of foreign **companies** in **Spain**

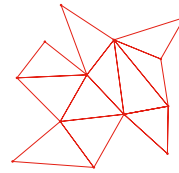


89% of companies plan to increase or maintain their investments by 2025, and the percentage of companies planning to increase their investments has risen to 36% (from 30% in 2024).

5 Prospects of foreign companies in Spain

- 5.1** Investment prospects
- 5.2** Employment prospects
- 5.3** Turnover prospects
- 5.4** Export prospects
- 5.5.** The impact of armed conflict on business performance
- 5.6** Aspects most affected by the consequences of armed conflicts
- 5.7** Importance for the company of access to the Recovery, Transformation and Resilience Plan/Next Generation EU Funds (NGEU)

5 Prospects of foreign companies in Spain



5.1 Investment prospects

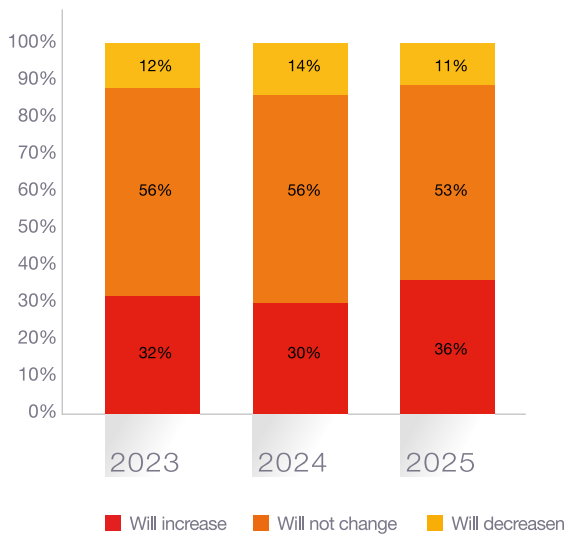
Investment prospects for 2024 as seen by foreign companies in Spain are positive, although they are slightly down on 2023. Thus, 86% of the companies surveyed increased or maintained their investments in 2024, compared to 88% in 2023. 89% of companies plan to increase or maintain their investments by 2025, and the percentage of companies planning to increase their investments has risen to 36% (from 30% in 2024).

5.2 Employment prospects

The employment outlook is also positive and unchanged from the previous year. In 2024, 86% of companies increased or maintained their workforces, and only 14% reduced them, as in 2023. The projections for 2025 are even better, as can be seen in Figure 6, with 92% of participating companies saying they plan to increase or maintain their workforces.

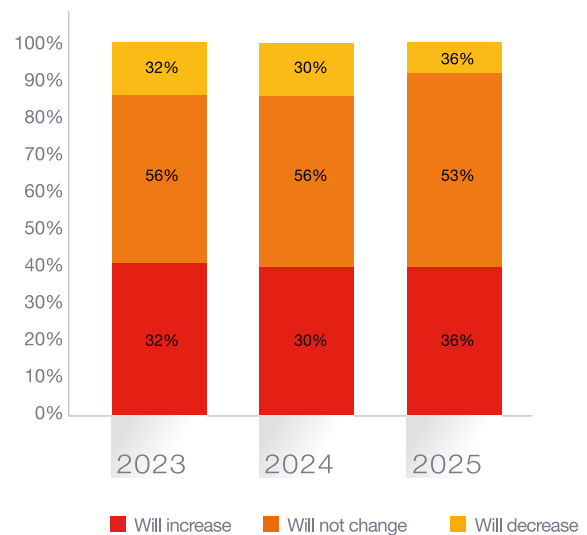
Investment forecast 2023-2025

Figure 5

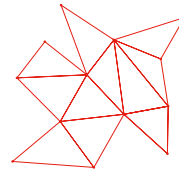


Workforce forecast 2023-2025

Figure 6



5 Prospects of foreign companies in Spain



5.3 Turnover prospects

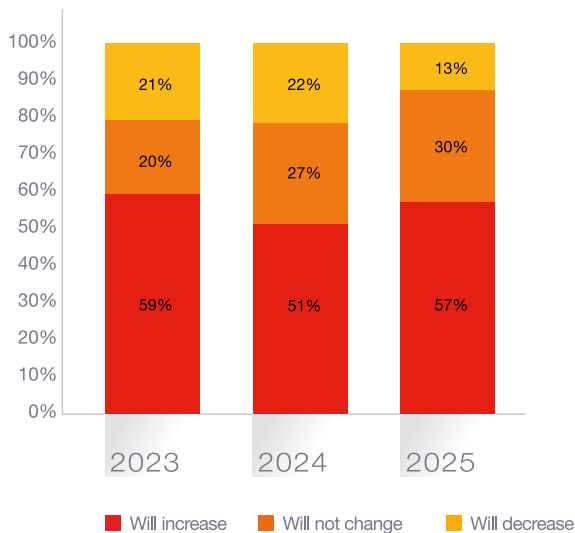
Turnover prospects are the aspects that are most likely to reflect economic uncertainty, as shown in Figure 7. In 2024, 78% of participating companies maintained or increased their turnover, which is very similar to the 79% in 2023, although in 2024 there was a decline in the percentage of companies planning to increase their turnover (51% compared to 59% in 2023). The percentage of participating companies expecting to increase or maintain their turnover in 2025 has returned to more positive levels, at 87%.

5.4 Export prospects

Finally, with regard to export volume, the high export profile is maintained, with 74% of the foreign companies surveyed exporting to third markets from Spain. The outlook is positive, with only 10% of companies expecting their exports to decrease in 2024. The outlook for 2025 is even better, with only 6% of foreign companies planning to reduce their exports.

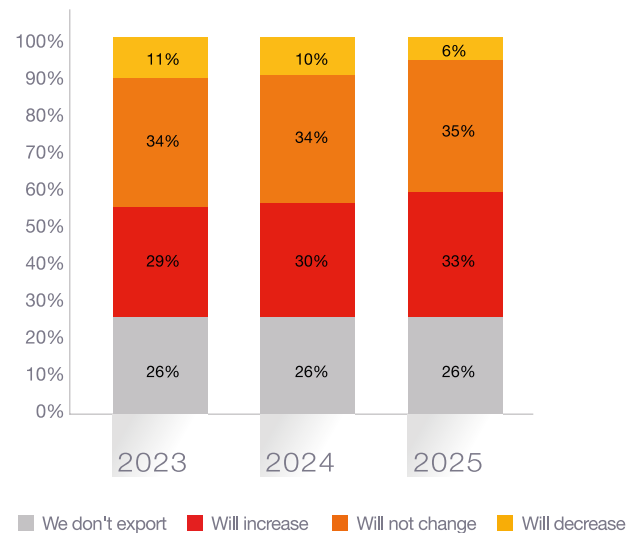
Turnover forecast 2023-2025

Figure 7

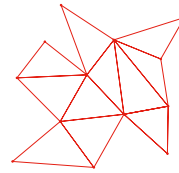


Export forecast 2023-2025

Figure 8



5 Prospects of foreign companies in Spain

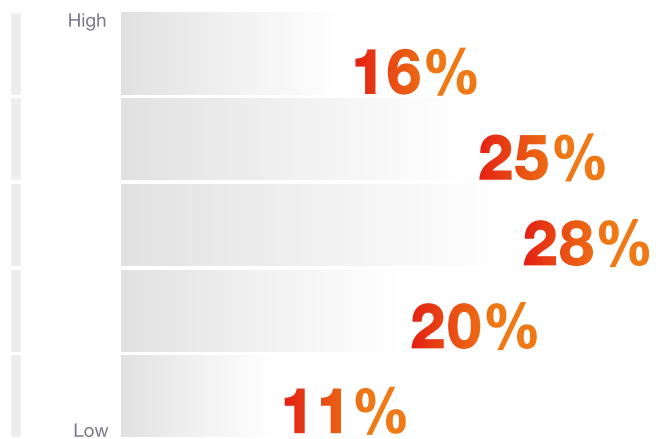


5.5. The impact of armed conflict on business performance

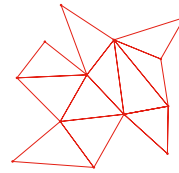
Once again in this edition, companies were asked about the effects that the various armed conflicts are having on their business performance. 41% of companies consider the impact to be high or very high (down slightly from 46% last year). Only 11% of companies consider that the conflicts have had a low impact on their operations.

The impact of armed conflict on business performance

Figure 9



5 Prospects of foreign companies in Spain



5.6 Aspects most affected by the consequences of armed conflicts

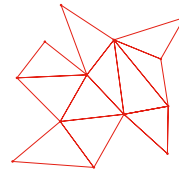
Regarding the aspects of company management on which armed conflicts have had the greatest impact, the effect on energy costs, mentioned by 76% of companies (compared to 86% last year), continues to stand out, as it did last year. 47% of companies also consider that the crisis has had a major impact on supply, leading to shortages, and 39% of them consider that it has caused problems in logistics distribution, clearly higher than the figure of 29% in 2023.

Aspects most affected by armed conflicts

Figure 10



5 Prospects of foreign companies in Spain

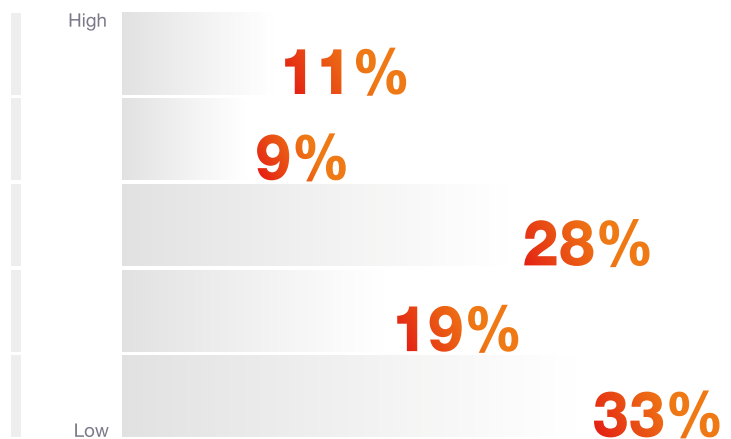


5.7. Importance for the company of access to the Recovery, Transformation and Resilience Plan/ Next Generation EU Funds (NGEU)

Companies were asked whether they have had access to the NGEU, and if so, what impact this access has had on their company's performance. Only 8% of participating companies have had access to the scheme, and the impact on company performance has generally been low. As Figure 11 shows, only 20% of the companies that have accessed the scheme consider that the impact on the company's results has been high or very high. 52% of the companies consider that the impact of these funds on their results has been low or very low.

Importance of access to NGEU

Figure 11



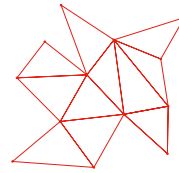
6 Results by area



Human Capital is once again the most important area for the managers surveyed and is among the most highly rated, although Figure 18 shows that there are imbalances in several of the aspects analysed.

6 Results by area

- 6.1 Labour Market**
- 6.2 Taxation**
- 6.3 Regulatory Environment**
- 6.4 Infrastructure**
- 6.5 Costs**
- 6.6 Financing**
- 6.7 Human Capital**
- 6.8 Innovation**
- 6.9 Market Size**
- 6.10 Quality of Life**



6.1 Labour Market

The Labour Market is the area with the greatest gap or margin for improvement of all the areas analysed, together with Taxation, and it has suffered a slight fall in its rating compared to the previous year.

Employment incentives and subsidies are again the main problem, with a lower rating achieved than in 2023 and showing a major gap with respect to the importance attached to it by investors.

The second aspect with the greatest room for improvement is the adaptation of labour legislation to the needs of the company,

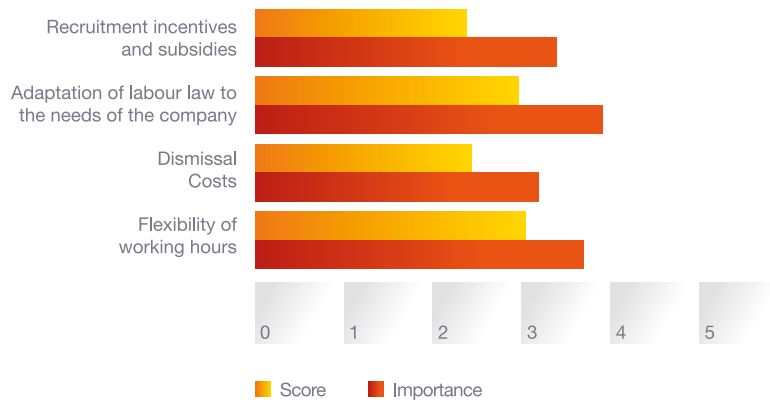
which is also the most important aspect for companies in the Labour Market area and the one with the lowest rating in the area. It has been included as one of the priority areas for action this year.

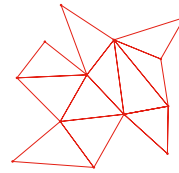
The costs of dismissal are the least important aspect of this section, although its rating is low and there is still room for improvement.

Finally, flexibility in working hours is rated slightly lower, but so is its importance, so the gap is somewhat smaller.

Labour Market

Figure 12





6.2 Taxation

Taxation is overall the worst rated section of the entire report in 2024 and its importance for investors has increased compared to 2023.

Social security contributions for employees remain the main difficulty in the opinion of foreign-owned companies. This is the second worst rated aspect of the whole study and is one of the priority areas for action in this edition.

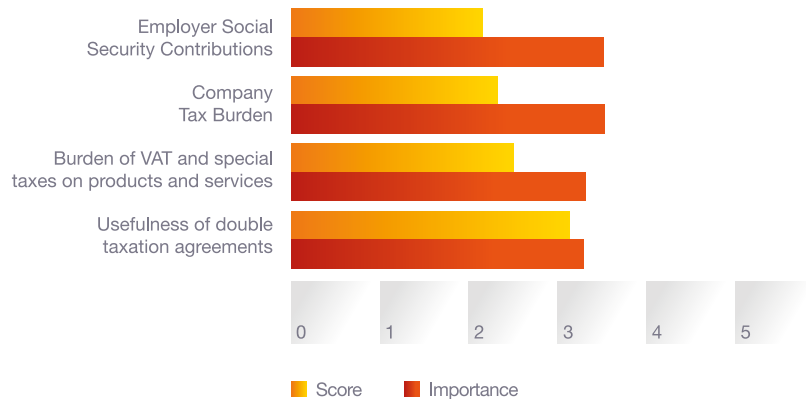
Like last year, the corporate tax burden still shows ample room for improvement, and its importance for the participating companies has increased in this edition.

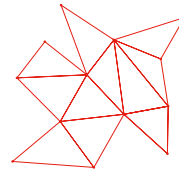
The burden of VAT and excise duties on products and services is also increasing in importance for companies, although it presents fewer problems in the opinion of the managers surveyed.

Finally, the usefulness of double taxation agreements does not seem to pose problems for foreign-owned companies in Spain and, moreover, its rating has improved this year.

Taxation

Figure 13





6.3 Regulatory Environment

The Regulatory Environment scores low overall, although its rating is unchanged from last year.

The bureaucratic burden on company operations was rated the lowest in the entire survey. It has already been identified as one of the weaknesses across the board in the study and has been included as a general area for action.

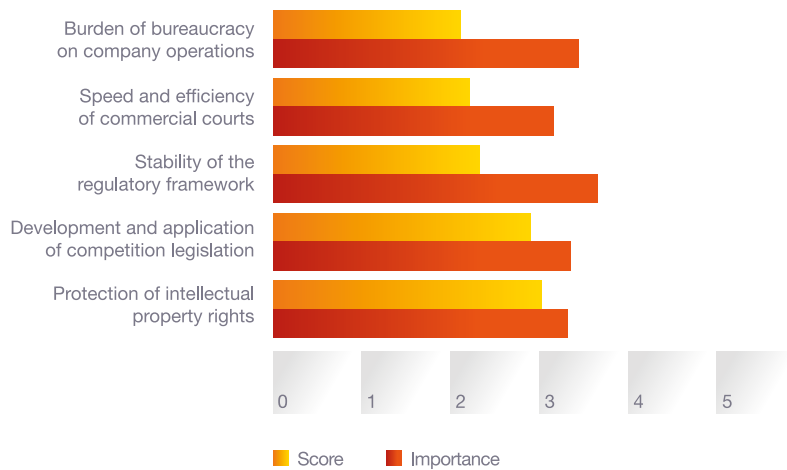
The speed and efficiency of the commercial courts is the third lowest rated aspect overall in the survey and is another of the weaknesses identified in this edition.

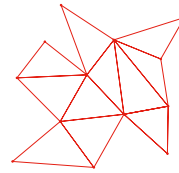
The stability of the regulatory framework is the most important issue for the managers surveyed in this area and, as has been pointed out on other occasions, is an essential issue in terms of attracting and retaining foreign investment. This year its rating has increased, albeit very slightly, and it continues to show clear room for improvement.

The development and enforcement of competition law and the protection of intellectual property rights do not seem to pose problems for foreign investors in Spain and meet their expectations to a greater extent.

Regulatory Environment

Figure 14





6.4 Infrastructure

As in previous years, Infrastructure obtained the highest rating in the whole Barometer, perfectly fulfilling the expectations of foreign companies in Spain and is, moreover, one of the most important aspects in general terms. It should be noted, however, that the ratings for all the aspects analysed have decreased compared to 2023.

Six of the aspects covered here have been identified as strengths across the board in the report, such as the availability of telecommunications services and structures, airports, roads, ports, and supplier and distribution networks.

There is some room for improvement in the availability of telecommunications services, which is again the second most important aspect of the entire survey in the opinion of

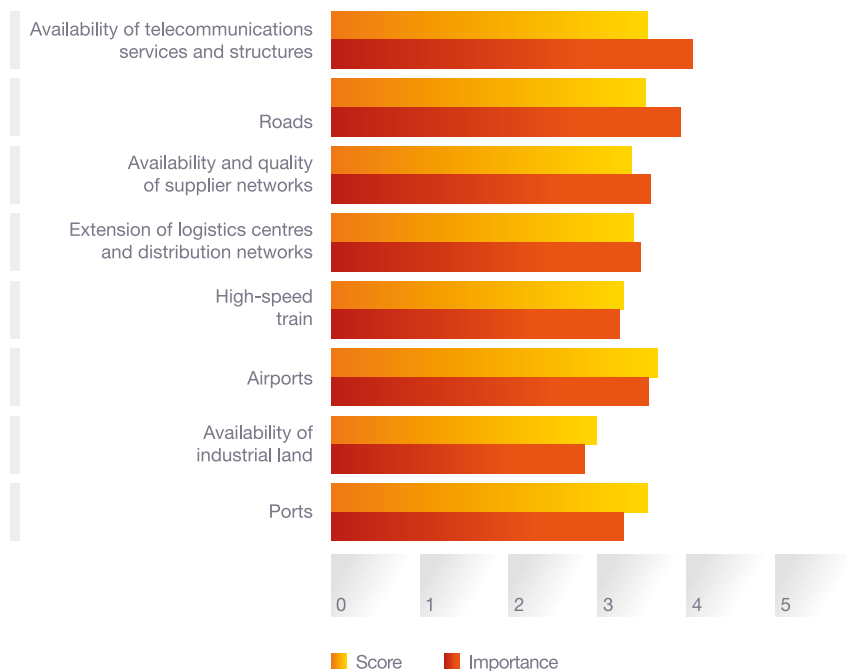
foreign-owned companies, and the second most highly rated, although it is slightly lower than in 2023.

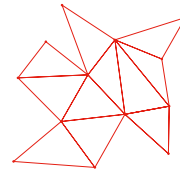
Roads have seen a decrease in their rating and also show some room for improvement, although the rating is still very positive. However, it is worth noting the significant drop in the rating for the High-Speed train, which has fallen by 0.2% compared to 2023.

The rest of the variables included in this section are rated very positively and perfectly meet the expectations of the managers surveyed.

Infrastructure

Figure 15





6.5 Costs

The Costs area is broadly unchanged compared to 2023, but there are clear imbalances, as can be seen in Figure 16.

The cost of electricity continues to be the area's main problem, although its rating once again shows the greatest increase of all the variables included in the survey, gaining more than 0.2% (compared to 0.4% last year). It no longer appears to be a priority area for action, although there is still great scope for improvement, and it is a key issue for ensuring the competitiveness of the industrial sector.

The rating of transport costs has improved, but there is still a significant margin for improvement, as well as the costs of adapting to the different regulations.

The costs of other energy sources are the sixth worst rated aspect of the entire survey, but their rating has risen by almost 0.2% in this edition, following the trend of last year's survey.

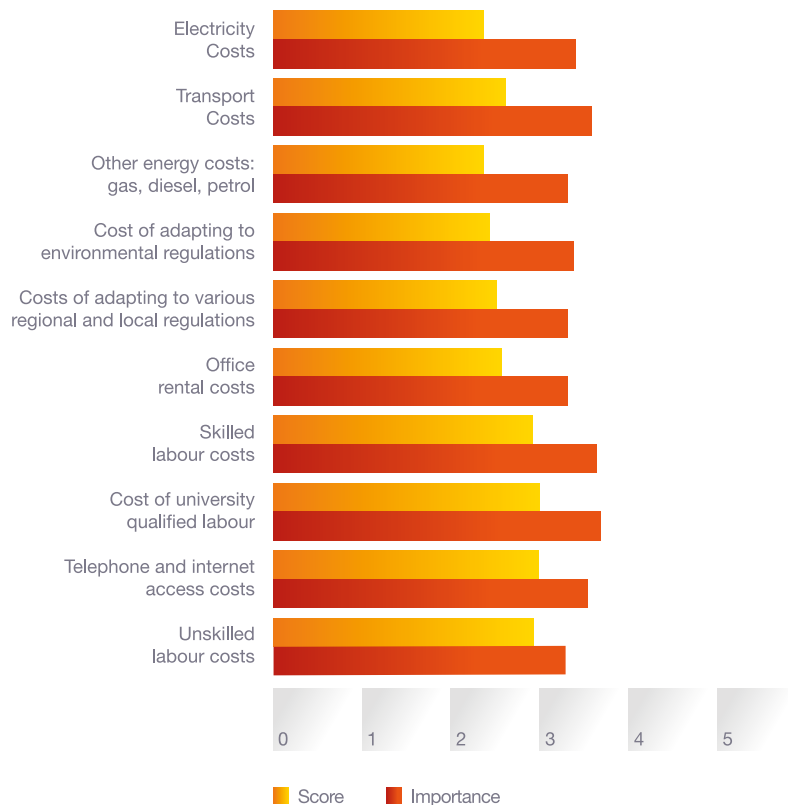
Nevertheless, they continue to pose problems for companies, which have been exacerbated by armed conflicts.

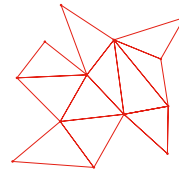
Labour costs in Spain, both skilled and unskilled, are rated positively and are one of the reasons for setting up in Spain that the companies surveyed continue to highlight, although on this occasion, there has been a decrease in the ratings of these three aspects, albeit moderate.

As can be seen in Figure 16, investors attach more importance to skilled labour than to unskilled labour, which is indicative of the type of investments made by foreign-owned, high value-added companies.

Costs

Figure 16





6.6 Financing

The area of Finance is the only one to score below 3, and is the second worst rated area, only behind Taxation.

This time, the main aspect with room for improvement is the availability of public subsidies, which is among the ten lowest rated aspects of the survey.

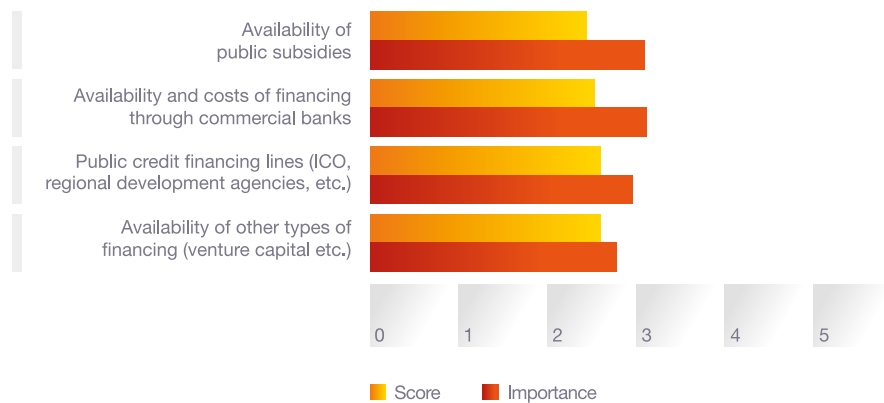
Commercial bank funding availability and costs also show some room for improvement, although investors have rated these aspects higher than in 2023.

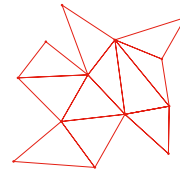
Public credit lines, such as the ICO, and the availability of other types of financing, such as venture capital, are of minor importance for foreign-owned companies and do not seem to pose a problem.

Overall, while the ratings in this area are positive, the participating companies attach relative importance to it.

Financing

Figure 17





6.7 Human Capital

Human Capital is once again the most important area for the managers surveyed and is among the most highly rated, although Figure 18 shows that there are imbalances in several of the aspects analysed.

Language skills, learning capacity and the acceptance of responsibilities and objectives remain priority areas for action.

The greatest room for improvement can be seen in language skills, which is the fifth most important aspect of the entire survey in the opinion of the managers surveyed and has a rating that can clearly be improved.

Learning capacity is again the most important aspect of the entire survey for the managers surveyed, and although its rating is positive, it is lower than in 2023, and there is room for improvement. The same is true for the acceptance of responsibilities and objectives, the third most important aspect of the whole survey.

The availability of the labour force, with both university and vocational training qualifications, continues to show capacity

for progress, and in both cases the ratings they achieved are slightly lower than in 2023. It is interesting to note that, as in previous editions, the managers surveyed attribute very different importance to the availability of skilled and unskilled labour, with the former being much more significant to them, which is very positive. The availability of unskilled labour seems to meet investors' expectations.

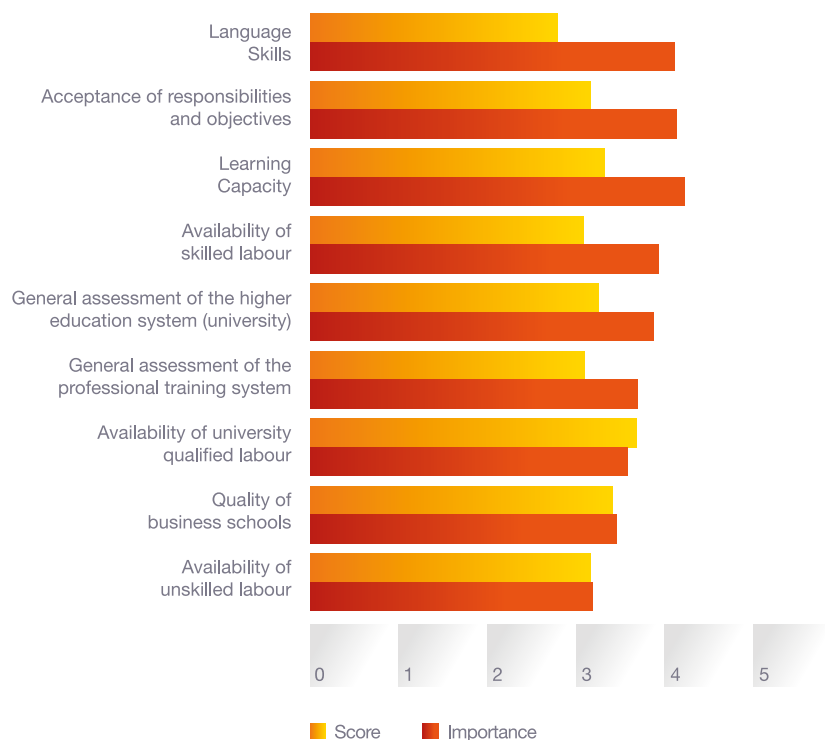
The quality of the education system, both university education and vocational training, is positive, although there is some room for improvement, especially in terms of vocational qualifications.

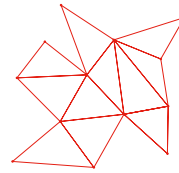
Even though the quality of business schools meets the expectations of the managers surveyed, its rating is lower than in 2023.

Again, it is essential to focus on the Human Capital aspects, as these are essential for ensuring the country's competitiveness in the medium and long term.

Human Capital

Figure 18





6.8 Innovation

As in the previous year, the area of Innovation has an average rating, although it has decreased slightly in general terms.

The main imbalance is in the total volume of public spending on RDI, which is the eighth worst rated aspect of the survey and one of the weaknesses of the study overall.

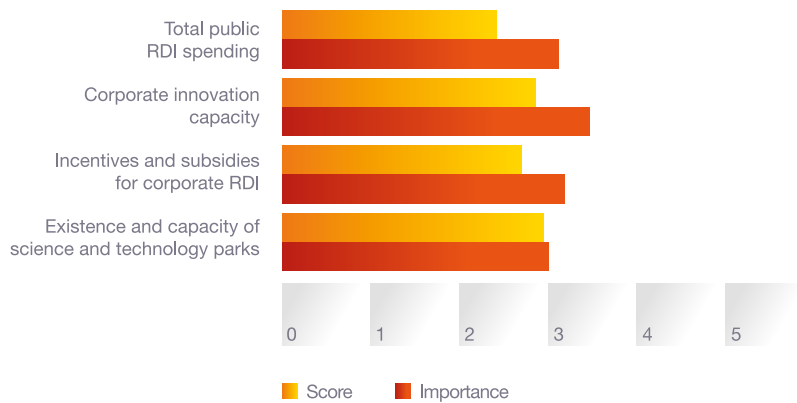
The innovative capacity of companies is once again the most important aspect in the area of innovation for the foreign-owned

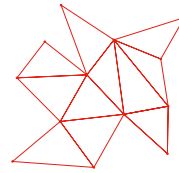
companies surveyed and, as Figure 19 shows, there is some room for improvement. The gap is slightly less in terms of incentives and support for companies to carry out RDI, which is of less importance for companies.

The existence of science and technology parks is the most highly-rated aspect by company managers in terms of innovation, in line with the needs of foreign companies.

Innovation

Figure 19





6.9 Market Size

Market Size is the second most important area for foreign-owned companies in Spain, after Human Capital, with the second highest rating, and one of the main reasons why the foreign companies surveyed set up in Spain.

Positive ratings were once again obtained for both access to foreign markets and the size of the local market.

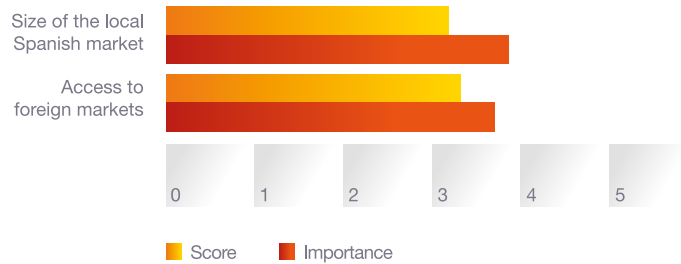
The size of the local Spanish market is somewhat more important for foreign-owned companies and has greater room for improvement. Moreover, this aspect's rating has decreased compared to 2023.

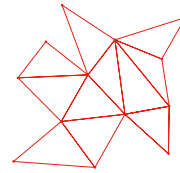
Access to foreign markets is rated very positively and does not pose any problems for the participating companies.

These two aspects are very important and are repeatedly pointed to as the main attractions for investing in Spain, so it is necessary to pay special attention to them on an ongoing basis.

Market Size

Figure 20





6.10 Quality of Life

The Quality of Life area is rated very positively, as in previous editions, although its rating has decreased slightly in general terms. This is also an important area for investors.

The cost of living presents the main problem and has seen a decrease of almost 0.2% in comparison with the previous edition, which is why it has been included among the general weaknesses in the report.

Safety is once again the most important aspect relating to quality of life for the managers surveyed, and its rating is very positive. As on previous occasions, this is one of the strengths noted across the board in the report.

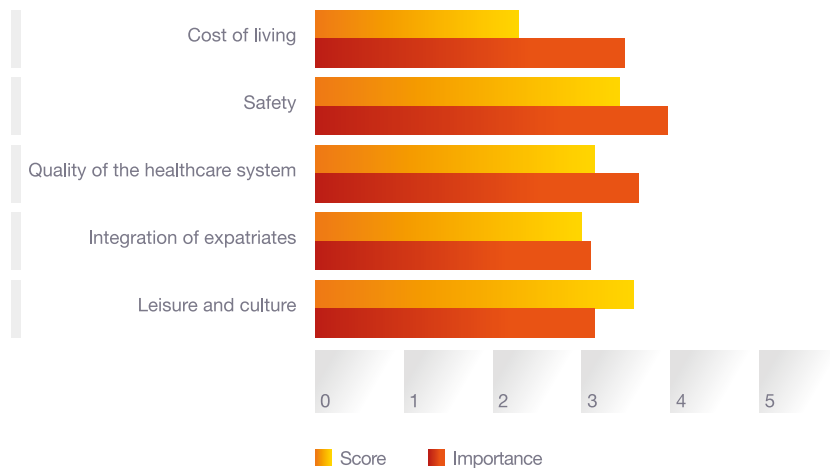
The quality of the health system still has some room for improvement. The same is not true of leisure and culture, which is one of the most highly rated aspects, sixth in the entire survey, and more than meets the expectations of the managers surveyed.

The integration of expatriates does not seem to pose a problem in the opinion of foreign-owned companies in Spain.

Generally speaking, quality of life is an area that is highly valued by foreign investors in Spain.

Quality of Life

Figure 21



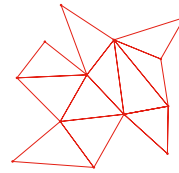
7 Reasons for **setting up in Spain**



A large majority of companies indicated that the main reasons for setting up in Spain were due to geographical location, as well as the size of the local market and access to other markets.

7 Reasons for setting up in Spain

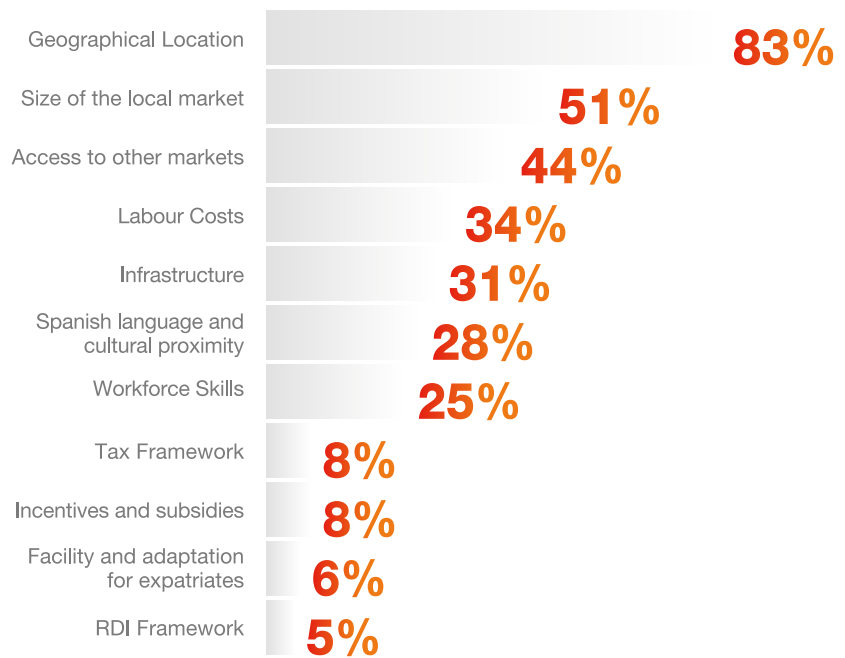
7 Reasons for setting up in Spain



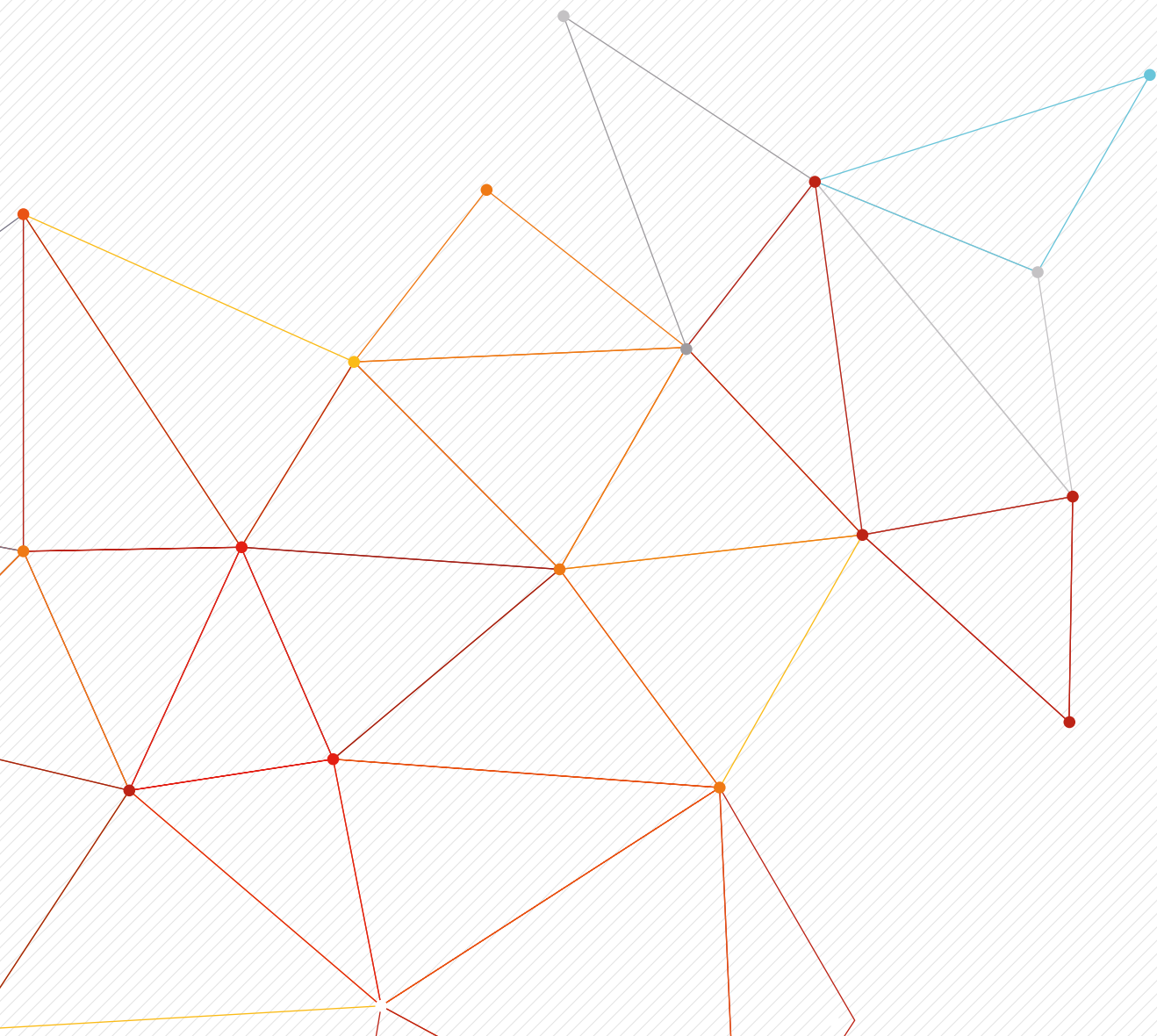
As in previous editions, a large majority of companies indicated that the main reasons for setting up in Spain were due to geographical location, as well as the size of the local market and access to other markets. Other important factors have been labour costs and infrastructure. Investors also consider the Spanish language and cultural proximity, as well as the skilled labour force, to be important advantages.

Reasons for setting up in Spain (percentage of companies indicating each reason)

Figure 22



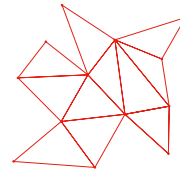
8 Sustainability goals



Among the factors that most favour the development of Sustainability Strategies within companies in Spain, managers again highlight the awareness of workers in first place, followed by the awareness of consumers and society.

8 Sustainability goals

- 8.1 Companies with a Sustainability Strategy**
- 8.2 Priority Sustainability Goals**
- 8.3 Measurement and monitoring mechanisms**
- 8.4 Conditions in Spain for the development of Sustainability Strategies**



In the sustainability section, various aspects have been analysed. The managers surveyed were asked whether they have a sustainability strategy, what Sustainability Goals they pursue and whether they have mechanisms for measuring and monitoring compliance. The aim was also to analyse Spain's relative position in terms of Sustainability Goals, as well as the degree to which different factors in Spain favour the fulfilment of these objectives.

8.1. Companies with a Sustainability Strategy

Firstly, foreign companies in Spain were asked whether they have a Sustainability Strategy. As Figure 23 shows, 61% of the companies do not have a Sustainability Strategy, compared to 39% that do. These results are very similar to last year.

Companies with a Sustainability Strategy

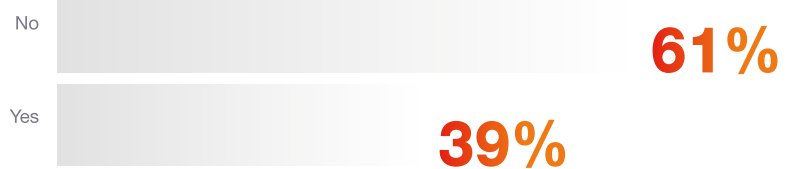
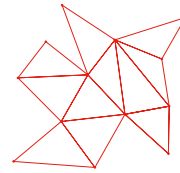


Figure 23



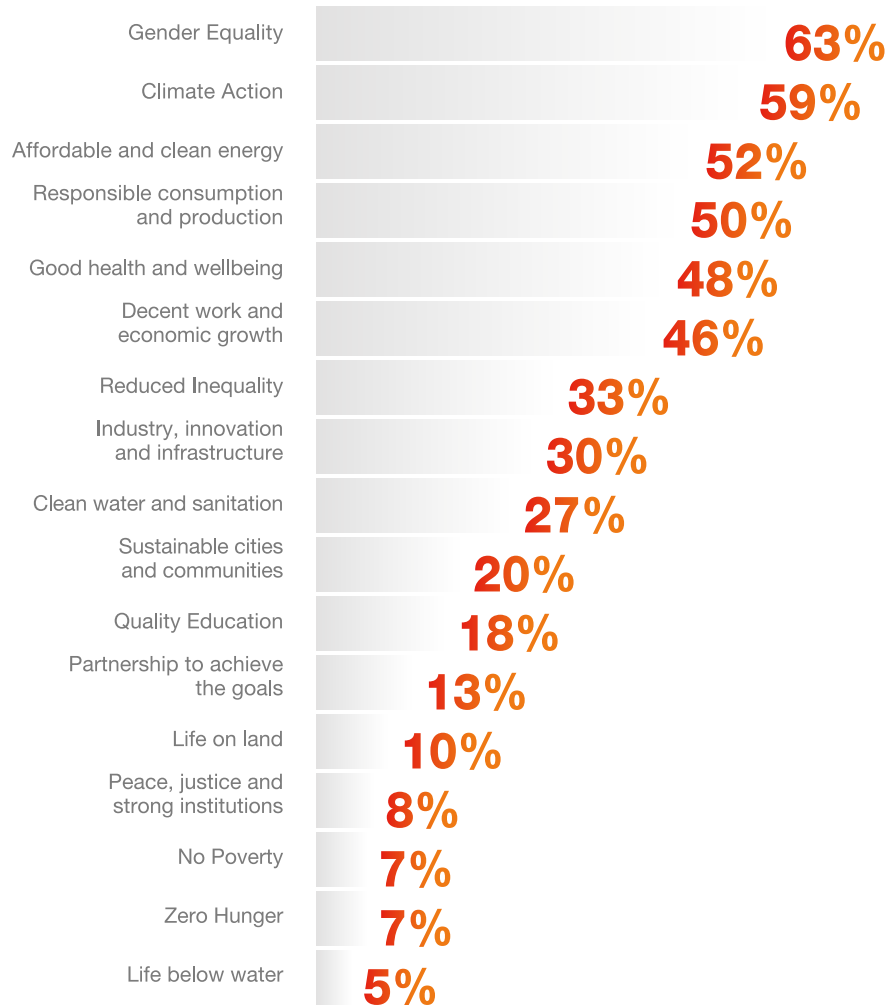
8.2 Priority Sustainability Goals

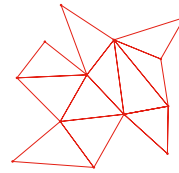
As in the last edition, foreign companies operating in Spain clearly highlight Gender Equality out of the 17 Sustainability Goals defined, which is at 63% (compared to 67% last year). Climate Action is the second most important goal, with 59% of companies confirming this. This is followed by Affordable and Clean Energy (52%), and Responsible Production and Consumption (50%). Health and Wellbeing and Decent Work and Economic Growth are also prominent goals.

Other goals, such as Zero Hunger, End of Poverty, Peace, Justice and Strong Institutions, and Life below water, continue to be chosen by a very small percentage of foreign companies in Spain.

Main Sustainability Goals

Figure 24





8.3 Measurement and monitoring mechanisms

Among the foreign companies that have Sustainability Strategies, 76% report using measurement and monitoring mechanisms that allow them to control compliance with the defined goals, which is slightly below the previous year's results (79%). However, 24% of companies do not use any monitoring and control mechanism.

Companies with measurement and monitoring mechanisms

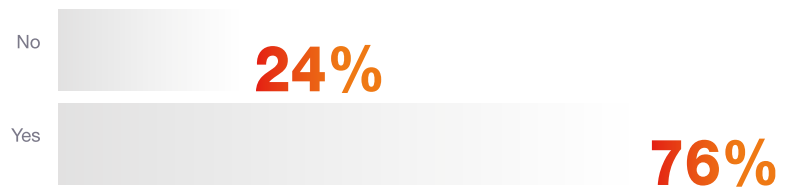
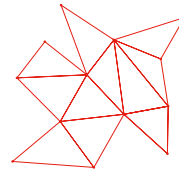


Figure 25



8.4 Conditions in Spain for the development of Sustainability Strategies

Among foreign companies in Spain that have a Sustainability Strategy, 23% believe that companies in Spain are in an unfavourable or very unfavourable position compared to their countries of origin in terms of the Sustainability Goals, which is a slightly better result than in 2023 (27%). Some 20% believe that companies in Spain are in a more favourable position than those in their home country with regard to the Sustainability Goals.

Situation of companies in Spain with respect to the country of origin in terms of the Sustainability Goals

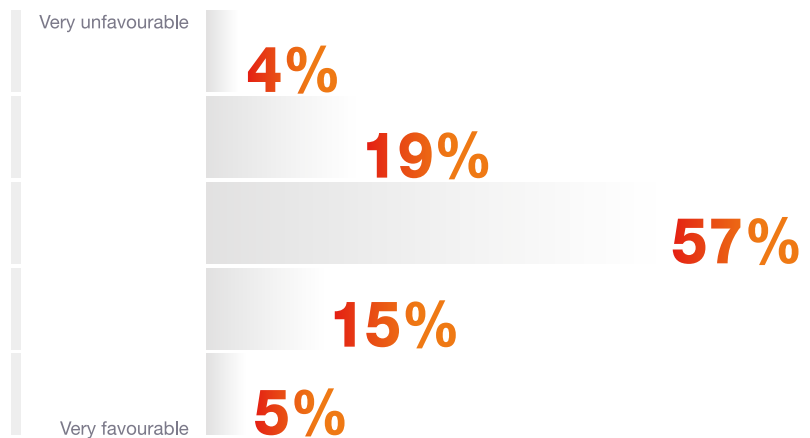
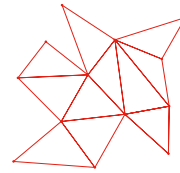


Figure 26



Among the factors that most favour the development of Sustainability Strategies within companies in Spain, managers again highlight the awareness of workers in first place, followed by the awareness of consumers and society. They also point to the responsible behaviour of customers and suppliers, as was the case last year.

As shown in Figure 27, managers give a lower rating to the contribution of legislation and regulations, sustainable transport infrastructure, and taxation mechanisms aligned with the Sustainability Goals, which are the factors that contribute least in Spain to developing these strategies in the opinion of foreign companies.

Factors favouring the development of the Sustainability Strategy in Spain

Figure 27



9 Analysis by country



The main participating countries mostly show very similar developments, albeit with some differences. US-based companies have more favourable plans, and those from Germany or the United Kingdom have somewhat more unfavourable investment forecasts.

9 Analysis by country

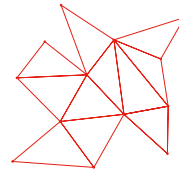
Investment prospects

Workforce prospects

Turnover prospects

Export prospects

Reasons for location in Spain



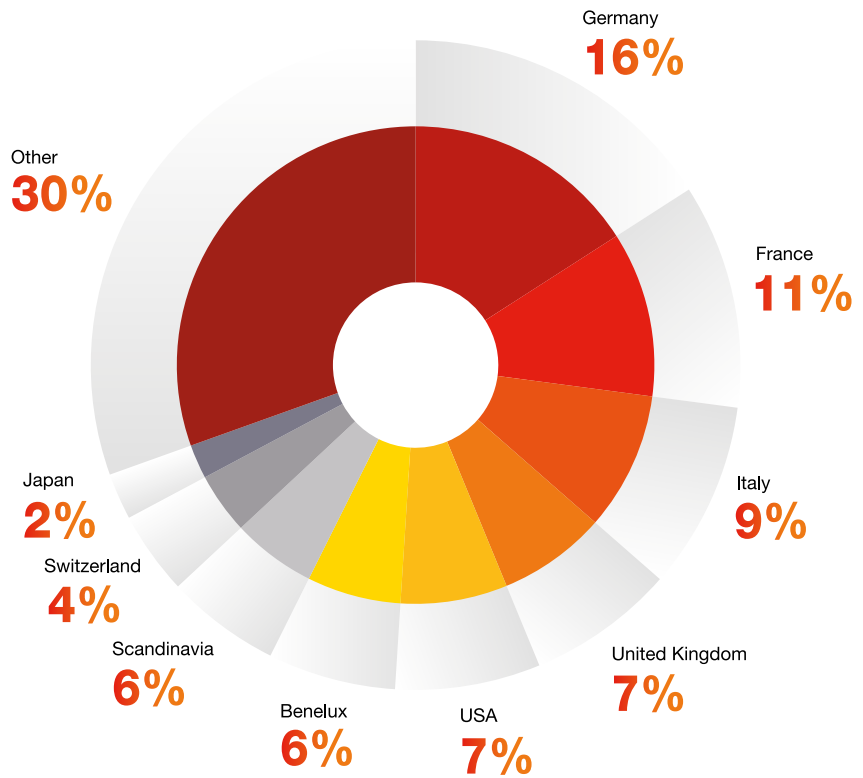
Analysis by country

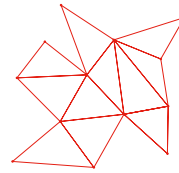
As with previous editions, this edition sets out to analyse whether there are significant differences in the responses of the managers surveyed to particular questions according to their country of origin. The responses are very similar regardless of the provenance of the companies, some of the more interesting variations being highlighted below.

The countries most represented in the survey are Germany, France, Italy, the United Kingdom and the United States, followed by companies from Scandinavia and Benelux countries.

Countries represented

Figure 28



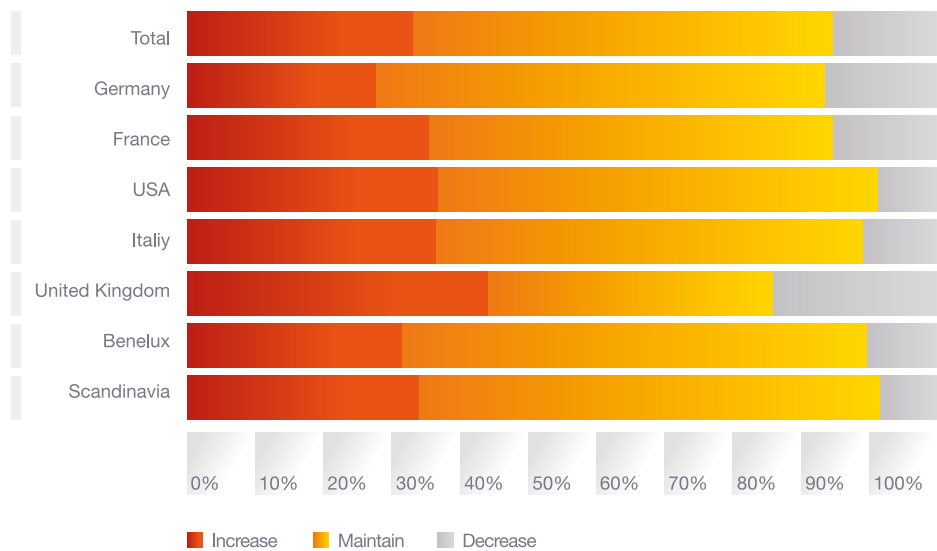


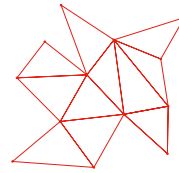
Investment prospects

In the study as a whole, 86% of the companies surveyed plan to increase or maintain their investments in Spain in 2024. The main participating countries mostly show very similar developments, albeit with some differences. US-based companies have more favourable plans, and those from Germany or the United Kingdom have somewhat more unfavourable investment forecasts.

Investment prospects by country

Figure 29



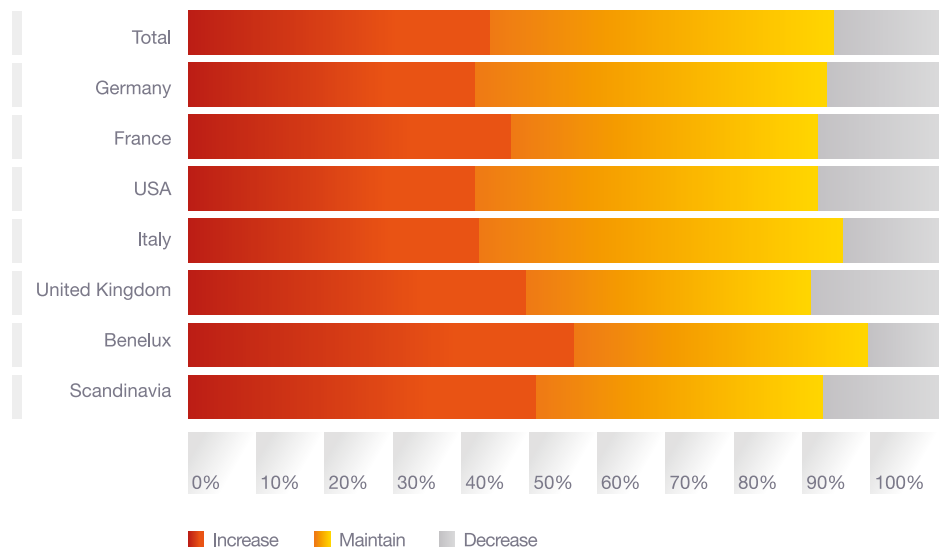


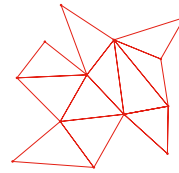
Workforce prospects

With regard to the number of employees planned in Spain for 2024, 86% of companies intend to increase or maintain their workforce. Expectations in this case are very similar for companies regardless of their country of origin, although there is a somewhat more positive outlook in Benelux companies.

Workforce prospects by country

Figure 30



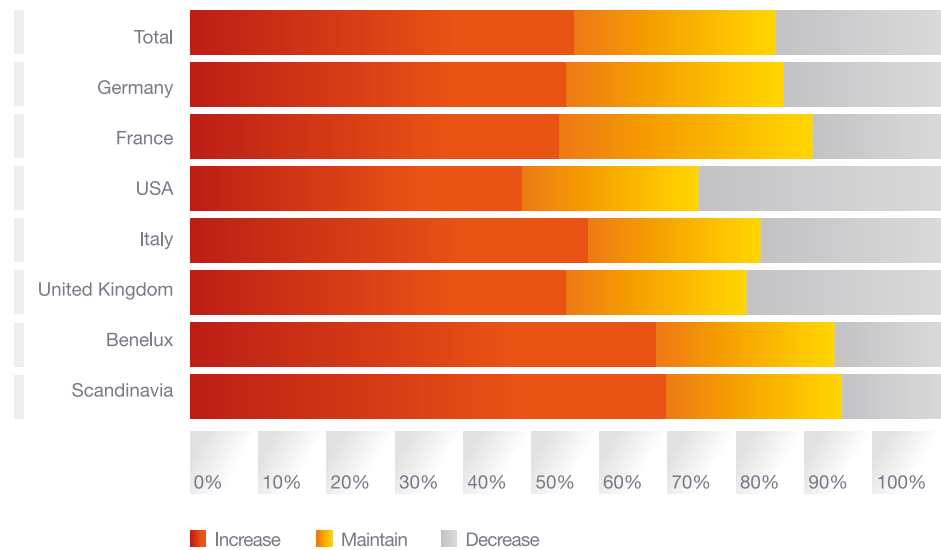


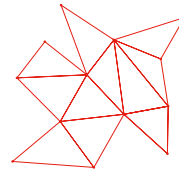
Turnover prospects

In terms of turnover in 2024, 78% of companies plan to increase their turnover in 2024, while 22% expect to decrease their turnover. The results differ from country to country, with companies in France, Benelux and Scandinavia showing a slightly more positive outlook, while companies in the United States and the United Kingdom expect below average results.

Turnover prospects by country

Figure 31



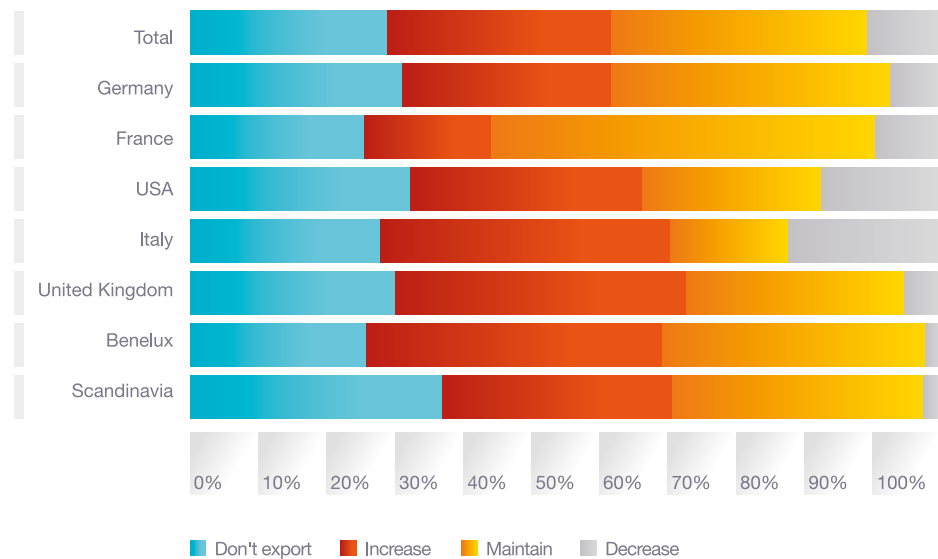


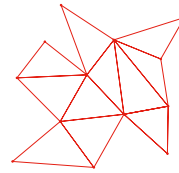
Export prospects

The final category in the section on prospects refers to exports. Some 74% of foreign companies export to third countries from Spain. In this case, companies from France and Benelux have the highest export profile, and companies from the United States or Scandinavia have a lower export profile. Some 30% of companies expect to increase their exports in 2024 and 34% will maintain their export trend with regard to previous years. Benelux and UK-owned companies have the best export prospects.

Export prospects by country

Figure 32



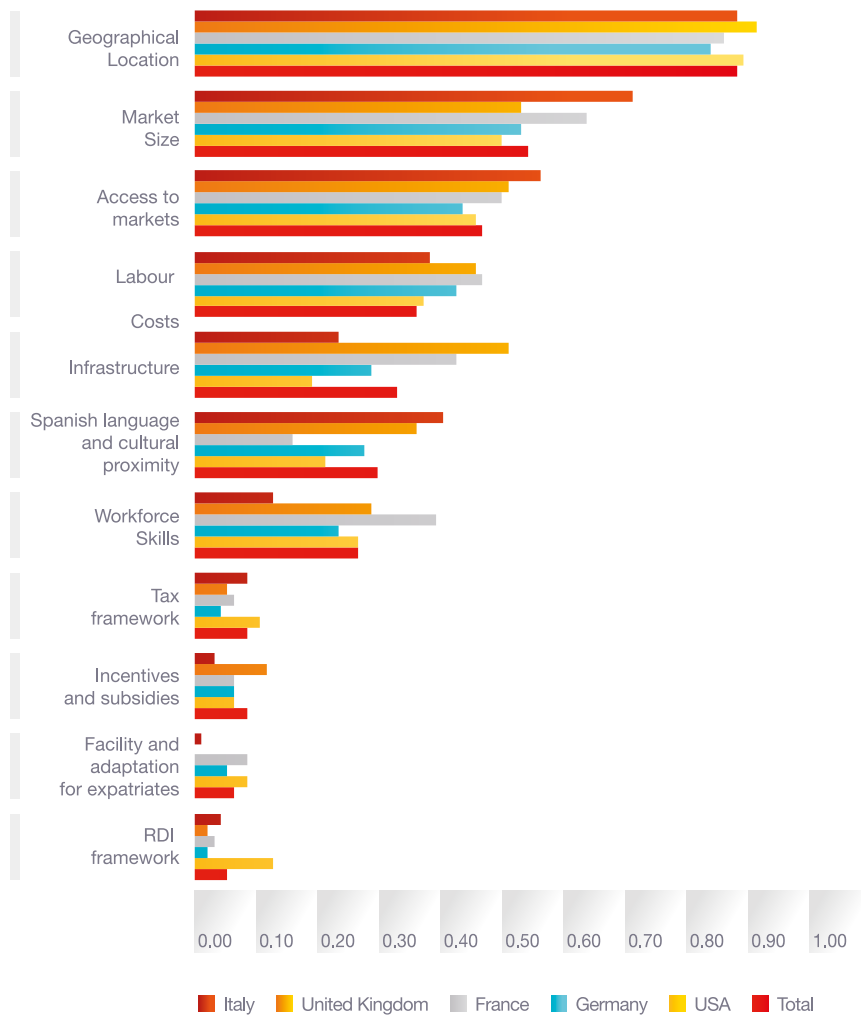


Reasons for location in Spain

Although geographic location, market size and access to other countries are the main reasons for location in Spain cited by all the countries represented, there are some significant differences. Companies from France, for example, give greater importance than average to labour skills and infrastructure. Companies from Italy value market size, cultural proximity and the Spanish language more highly than the average. UK companies place more weight on infrastructure.

Reasons for location in Spain by country

Figure 33



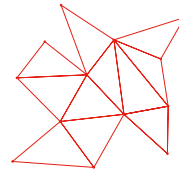
10 Industry analysis



The main industries represented show some noteworthy differences. The performance of the Agriculture and Automotive Components industries was below average. However, companies in the Logistics or Food & Beverage industries have maintained better than average forecasts for investment in 2024.

10 Industry analysis

- 1 Investment prospects by industry
- 2 Workforce prospects by industry
- 3 Turnover prospects by industry
- 4 Export prospects by industry



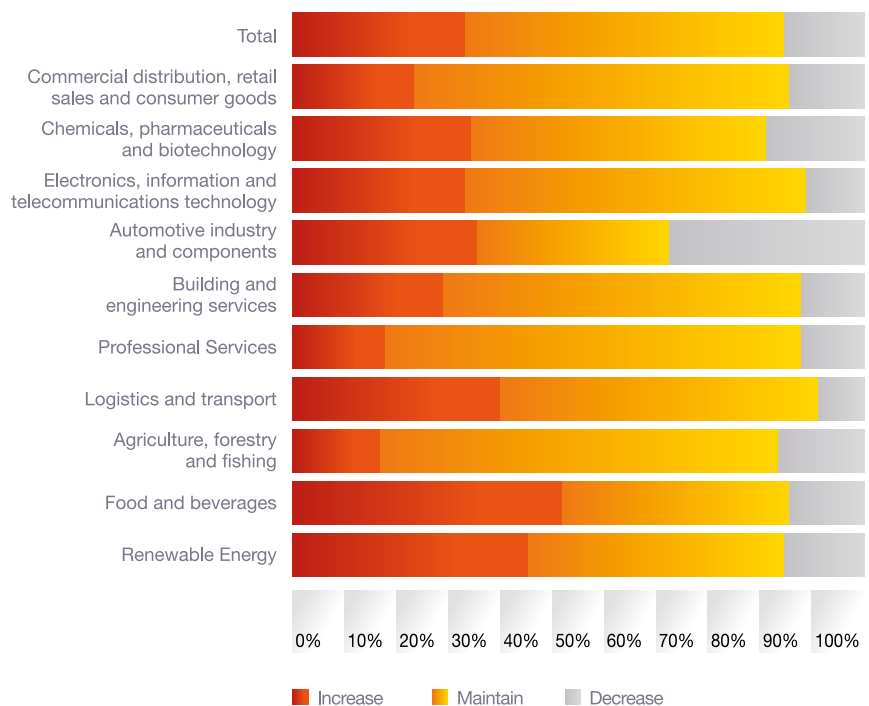
As in previous editions, a comparative study of investors' perspectives has been carried out for the ten most represented industries in the survey, in order to analyse whether there are significant differences between different industries. For this purpose, the forecasts for the end of 2024 were compared by industry in terms of investment, workforce, turnover and exports.

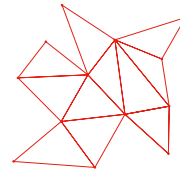
1. Investment prospects by industry

In the study as a whole, 86% of the companies surveyed plan to increase or maintain their investments in Spain in 2024. The main industries represented show some noteworthy differences. The performance of the Agriculture and Automotive Components industries was below average. However, companies in the Logistics or Food & Beverage industries have maintained better than average forecasts for investment in 2024.

Investment prospects by industry

Figure 34



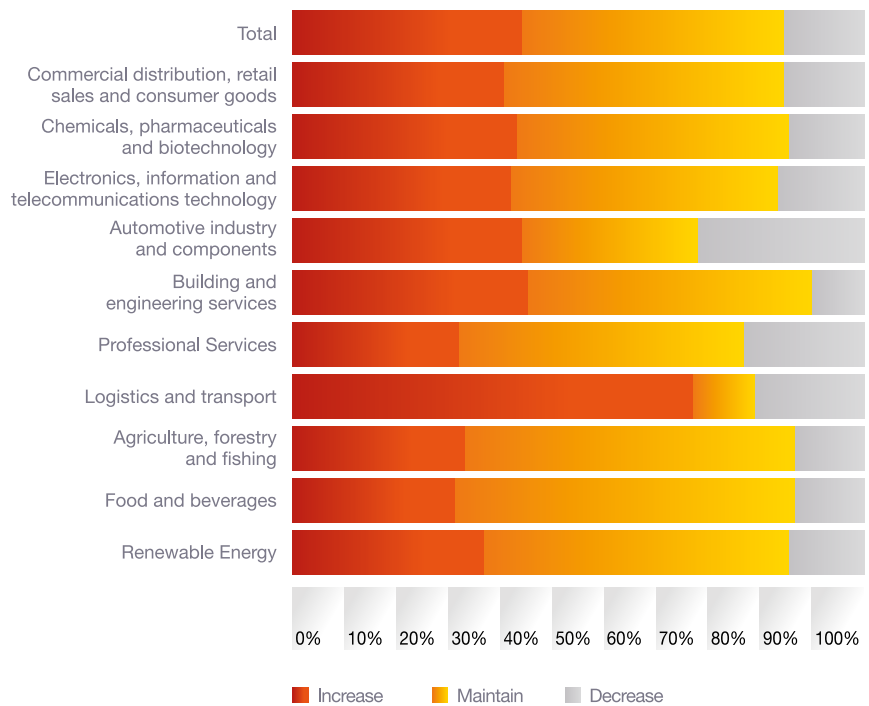


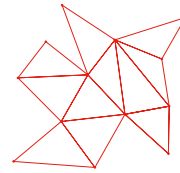
2. Workforce prospects by industry

In the study as a whole, 86% of the companies surveyed plan to increase or maintain their workforce in Spain in 2024. Forecasts are slightly lower for companies in the Professional Services and Automotive Components industries. However, companies in the Construction and Logistics industries show more favourable results.

Workforce prospects by industry

Figure 35



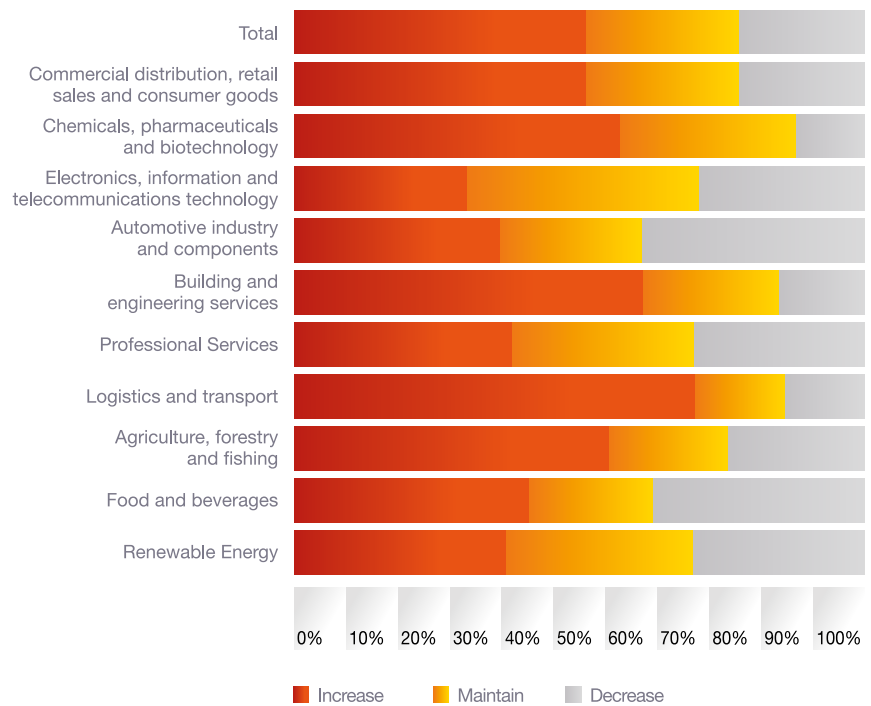


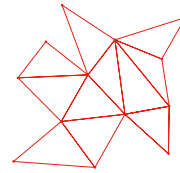
3. Turnover prospects by industry

Overall, 78% of participating firms expect to end 2024 by either increasing or maintaining their turnover. In terms of turnover, there is considerable variation by industry. This percentage decreases in the Automotive, Food & Beverage and Professional Services industries. However, in other industries, such as Construction and Logistics and Transport, the outlook is somewhat more positive.

Turnover prospects by industry

Figure 36



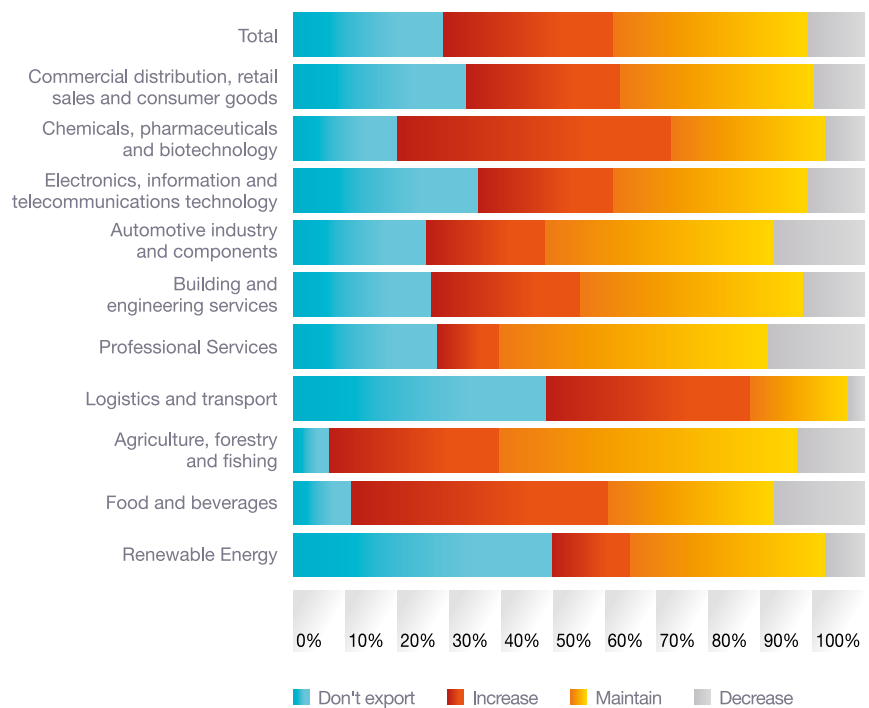


4. Export prospects by industry

In the study as a whole, 74% of the companies surveyed exported to other countries from Spain. As Figure 37 shows, companies in the Chemicals and Pharmaceuticals, Agriculture and Food industries have a higher export profile than the average. However, companies in the Logistics and Renewable Energy industries have a much lower export profile than average. In terms of export forecasts for 2024, the Professional Services industry shows slightly more negative results, compared to the better export prospects for the Chemicals industry.

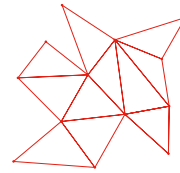
Export prospects by industry

Figure 37



11 Methodology





The Barometer was jointly compiled by ICEX, Multinacionales con España brand and the International Center for Competitiveness (ICC) at the IESE Business School.

Previous editions have included a specific chapter on the economic situation, analysing the impact of armed conflicts on different aspects of business. This edition maintains this chapter, as well as a section on sustainability that analyses the sustainability strategies of foreign-owned companies in Spain, the main sustainability objectives and the degree to which conditions in Spain favour the achievement of these objectives.

As in other years, the methodology employed in the survey required qualified managers at foreign companies operating in Spain to fill in a questionnaire. Following the criteria established

by the IMF and employed by different international bodies like the World Bank and the Organisation for Economic Co-operation and Development, a company is considered to be a foreign company when more than 10% of its total capital comes from abroad.

This year, more than 700 responses were received.

To achieve continuity in this study, since 2007, the following areas included in the questionnaire are grouped into four main groups: General Panorama in Spain, Costs, Infrastructure and Resources and Quality of Life. The average rating for Spain is obtained from the average of the rating in each of these four groups.

1. GENERAL PANORAMA IN SPAIN

- Labour Market
- Regulatory Environment
- Market Size

2. COSTS

- Costs
- Taxation
- Financing

3. INFRASTRUCTURE AND RESOURCES

- Infrastructure
- Human Capital
- Innovation

4. QUALITY OF LIFE

The questionnaire seeks both the rating that companies give Spain under each heading and the importance they attach to each heading, so as to be able to weight the results to reflect the true interests of businesses.

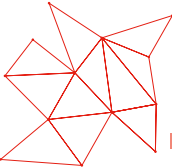
For each question, the managers of foreign companies are asked to give a score from 1 to 5 for the importance that this heading has for their company, and a second score using

the same scale for the rating they have given to Spain. The questions that show the greatest gap or difference between the importance and the weighted rating¹ given by the managers surveyed are flagged as requiring priority action, as this difference highlights that not all the interests of foreign companies in Spain are being satisfied.

1. The weighted rating corresponds to 80% of the score obtained in the Rating and 20% of the score obtained in Importance. It is weighted in order to take into account those aspects with lower ratings but which are also important for foreign companies.

Appendix





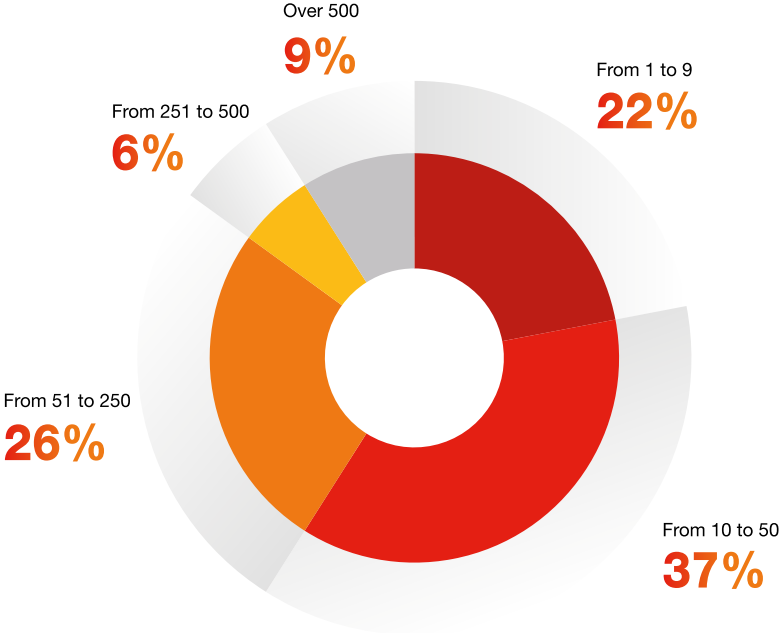
Profile of surveyed companies

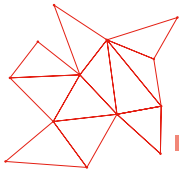
The profile of the companies taking part in a study was fairly uniform, with representatives from companies of all sizes, although it is particularly worth noting the participation of companies with up to 250 employees, as can be seen in Figure 38.

The industries represented in the sample are very diverse, as shown in Figure 39 . The most represented industry was commercial distribution, followed by chemicals and pharmaceuticals, electronics, information technology and telecommunications.

Number of company employees

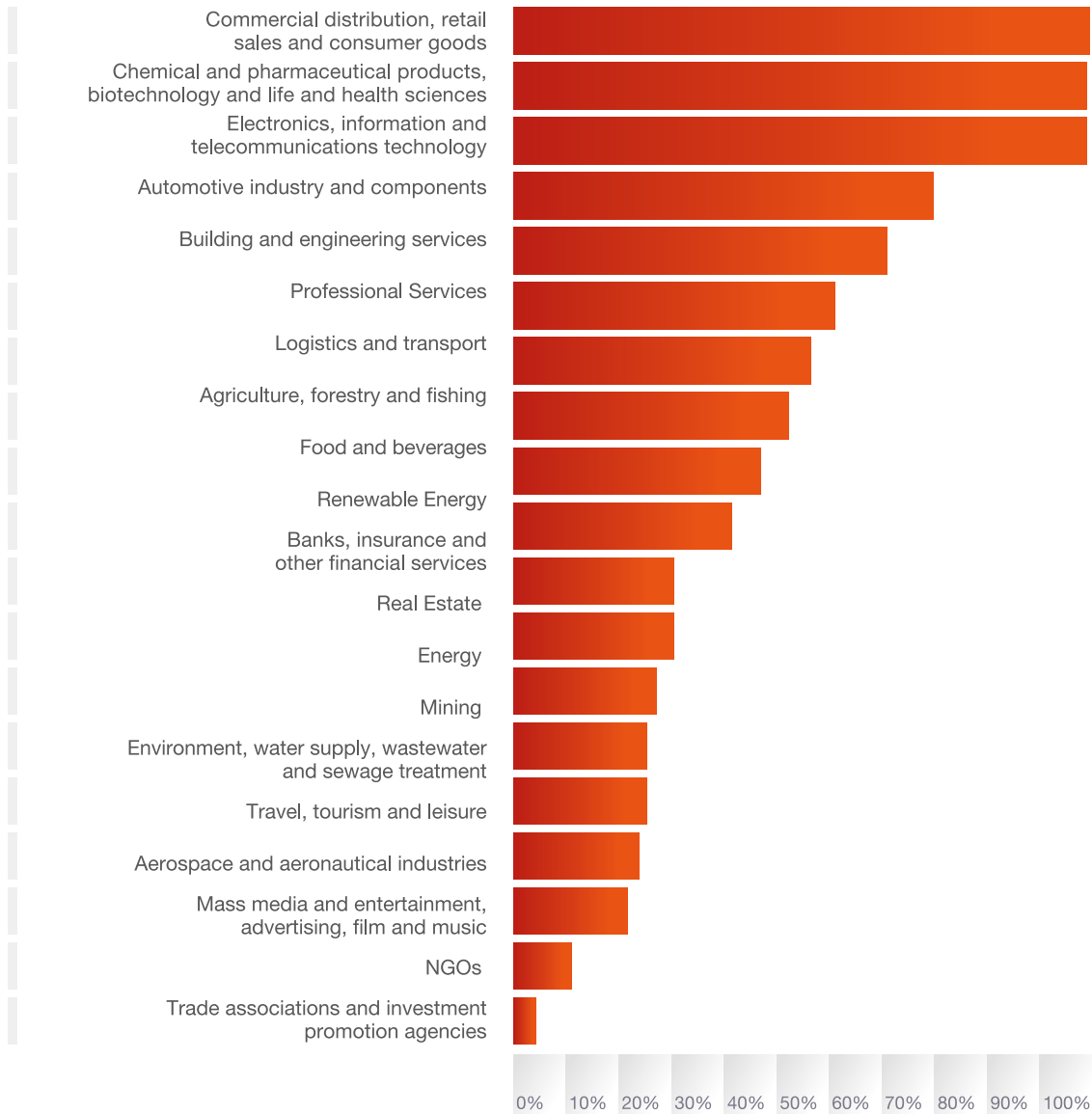
Figure 38

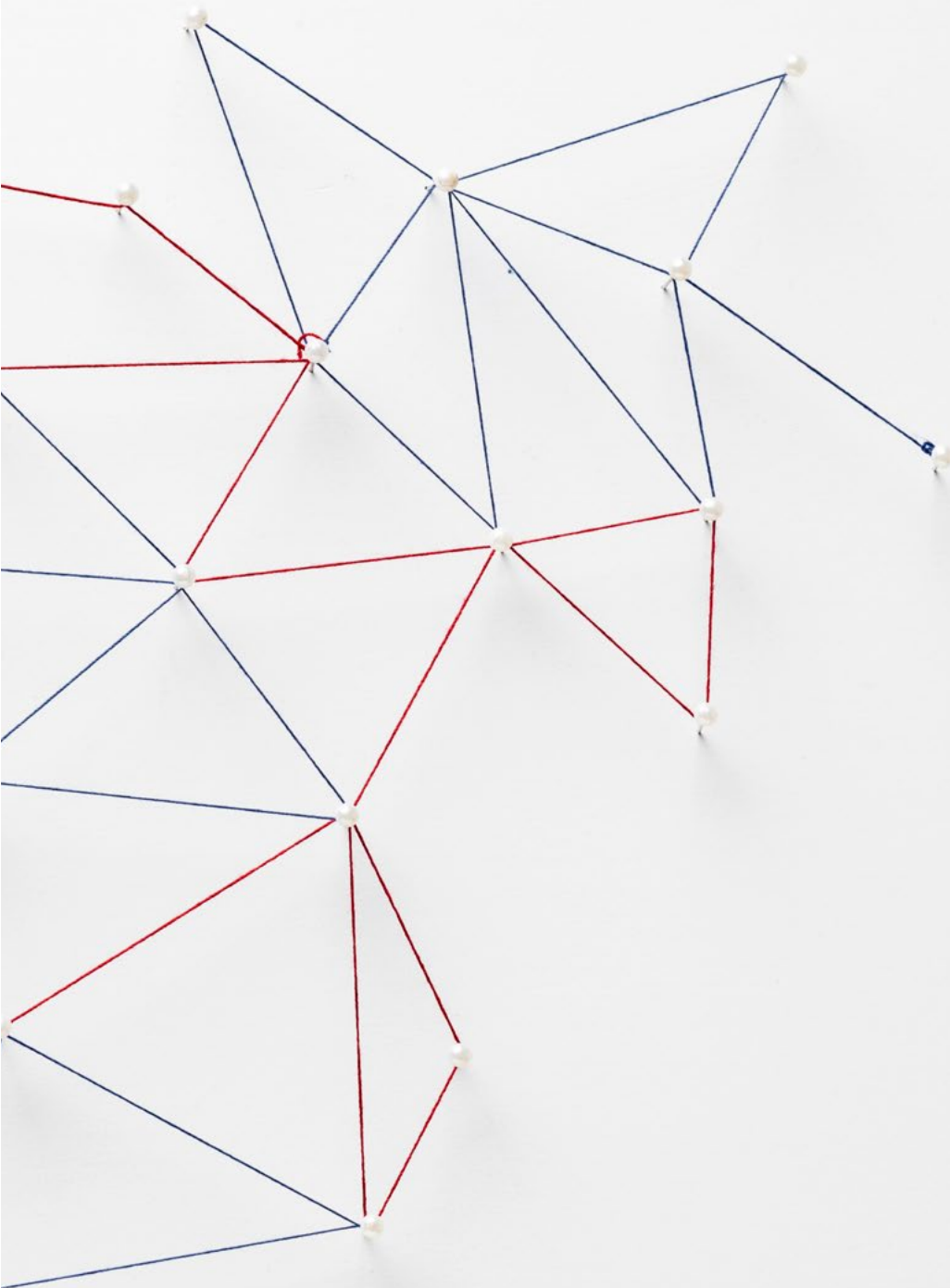




Companies and Industries (number of companies per industry)

Figure 39





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